



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0378	Title:	Revise military pay exemption from state income taxes
Primary Sponsor:	Arntzen, Elsie	Status:	As Introduced

- ☐ Significant Local Gov Impact ☐ Needs to be included in HB 2 ☐ Technical Concerns
☐ Included in the Executive Budget ☐ Significant Long-Term Impacts ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	Unknown	Unknown	Unknown
Revenue:				
General Fund	\$0	Unknown	Unknown	Unknown
Net Impact-General Fund Balance:	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

Description of fiscal impact: SB 378 proposes to exempt income from Montana National Guard service from Title 32 and Title 10 of the federal code under certain limited circumstances. The reduction to state general fund revenue is unknown.

FISCAL ANALYSIS

Assumptions:

1. SB 378 exempts the salary received by a resident of Montana from income tax under provisions of Title 10, and Title 32 of federal code for military service in the Montana National Guard if involved in a homeland defense activity as defined under Title 32, U.S.C. 901. As defined in the federal code, "the term 'homeland defense activity' means an activity undertaken for the military protection of the territory or domestic population of the United States, or of infrastructure or other assets of the United States determined by the Secretary of Defense as being critical to national security from a threat or aggression against the United States".
2. The bill also exempts Title 32 National Guard income when there is a contingency operation as defined under 10 U.S.C. As defined in the federal code, "the term 'contingency operation' means a military operation that (A) is designated by the Secretary of Defense as an operation in which members of the armed

forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force or; (B) results in the call or order to, or retention on, active duty of members of the uniformed services under section 688, 12301(a), 12302, 12304, 12304a, 12305, or 12406 of this title, chapter 15 of this title, section 712 of title 14, or any other provision of law during a war or during a national emergency declared by the President or Congress.

3. The bill also exempts from state income tax the income earned by Montana guard members while on active duty after being called out by the governor under Article VI, section 13 of the Montana Constitution.
4. The Department of Revenue's (DOR) understanding is that the instances where either of the exemptions would apply is limited, infrequent and unpredictable. For example, these exemptions may apply in cases where the Montana National Guard is assigned to help with firefighting or is called upon to help patrol the nation's borders.
5. The fiscal note assumes that neither exemption applies to income earned from regular training or preparation and maintenance duties performed by the Montana National Guard.
6. According to this assumption of federal code regarding military definitions, the fiscal impact of the bill is unknown.
7. DOR will make revisions to instructions in the normal updating process and does not anticipate any additional costs due to the bill.
8. Provisions of the bill apply to tax years beginning after December 31, 2015.

Sponsor's Initials

Date

Budget Director's Initials

Date